

1 Q. (Re: 2016 Standby Fuel Deferral Application) In the report attached to the
2 Application, it is stated (page 2, lines 1 to 4) *“There is currently no regulatory*
3 *mechanism to allow Hydro to recover additional costs associated with operating the*
4 *additional Standby Generation. In the absence of regulatory relief, Hydro’s net*
5 *income will be reduced by \$33.3 million in 2016 for a net loss of \$0.1 million based*
6 *on the 2015 Test Year.”* In the Application, para. 5, it is stated *“At present, while*
7 *Hydro's consumption of No. 6 fuel for its Holyrood TGS is stabilized through the Rate*
8 *Stabilization Plan such that the actual cost of this fuel consumed is recovered from*
9 *customers through rate adjustments, no such account or mechanism exists for the*
10 *consumption of diesel fuel (No. 2 fuel). Hydro did apply for an Energy Supply Cost*
11 *Variance Account (“ESCVA”) in its Amended 2013 General Rate Application (GRA), a*
12 *component of which addressed diesel costs incurred on the Island Interconnected*
13 *System, but no order has issued as to that application to date and one is not*
14 *expected immediately.”* Given that: 1) Hydro has already applied for the ESCVA; 2)
15 the Board is expected to file its Order on the Amended 2013 GRA and the proposed
16 ESCVA in the coming months long before the end of 2016; and 3) Island
17 Interconnected Customer rates are interim, please explain why this Application is
18 necessary. Why does Hydro need an “immediate” Order, and what is Hydro’s best
19 estimate of when it will receive Orders on this Application and on the Amended
20 2013 GRA?

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22 A. The present Application was made to obtain an order approving a deferral account
23 with respect to material costs that Hydro will be incurring in 2016. These costs will
24 be well in excess of the costs anticipated during Hydro’s GRA and they are being
25 incurred due to the extremely low hydrological conditions Hydro has been
26 experiencing in recent months, a condition which was not forecasted. Attaining an
27 order approving the deferral account Hydro has applied for will provide Hydro with

1 the appropriate degree of certainty as to the recovery of these costs as it continues
2 to proactively dispatch its generation resources to prudently deal with the current
3 hydro-electric energy shortfall.

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5 Hydro is unable to estimate the amount of time that the Board will require to
6 render a decision in this matter or the Amended 2013 GRA as these matters are
7 outside Hydro's control and can be variable depending upon factors such as the
8 Board's regulatory calendar.